

Conestoga Wireless Company

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FEDERAL COMMUNICATIONS COMMISSION
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July 8, 1997

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

**Re: Reply Comments of Conestoga Wireless Company
Broadband PCS Installment Payment Issues
DA 97-679, WT Docket 97-82**

Dear Mr. Caton:

In this letter Conestoga Wireless Company submits its reply comments on broadband PCS C and F Block installment payment issues.

Numerous commenters agreed with Conestoga that it would be grossly unfair and counterproductive to retroactively change the rules for C Block installment payments.

These commenters include: Cook Inlet, Western Wireless, AirGate Wireless, Aerial Communications, TeleCorp, Airadigm Communications, Northcoast Communications, Pioneer Telephone Association, Sprint Corp., Bay Springs Telephone Company, Nextel, Alltel Corporation, Point Enterprises, and Pinnacle Telecom.

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It is clear that the primary parties behind the proposed "bailout" are the very companies that ran up the prices in the C Block auction, preventing prudent bidders such as Conestoga from obtaining 30 MHz licenses at a reasonable price. Often, these entities never intended to provide service to the markets in which they bid, but instead were "parking" their eligibility, so that they could pursue larger markets in later rounds.¹ The licensees that bid irresponsibly in the C Block auction, and now face a financial predicament of their own making, should be forced to give up their licenses for prompt reauction. This would provide a second opportunity at the C Block for entities such as Conestoga, which bid prudently and were forced out of their desired markets by the bidders who are now crying to the Commission for relief. In the absence of such behavior, Conestoga would already have C Block licenses, and would be well on its way to implementing service to the public.

A number of commenters agreed with Conestoga's point that *post hoc* tinkering with the Commission's rules will destroy the integrity of past and future auctions. Perhaps the most telling demonstration of this fact are the comments of Conxus, which demand the same retroactive bailout for the narrowband PCS auction winners. The Commission will open a floodgate of requests for retroactive rule changes after each auction, by those who are disappointed in the results, or who later decide that they overpaid for their licenses. In this regard, Conestoga agrees with those commenters

¹ To avoid this unfair practice in future auctions, the Commission should consider requiring bidders to submit an upfront payment (albeit, reduced) for each discrete license on which they intend to bid.

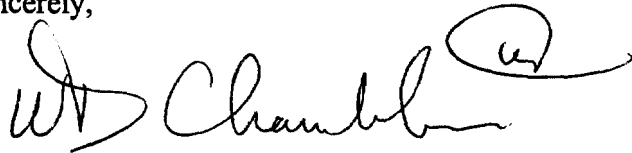
(including Cook Inlet and the other “Joint Commenters”) who point out that the Commission has already denied similar relief to the IVDS auction winners. As mentioned by Comcast on page 5 of its comments, “the Commission has, to date, properly and universally rejected the excuse of ‘changed circumstances’ as justification for failing to meet a party’s auction obligations. Changing this approach would create substantial uncertainty about the integrity and structure of the auction process and encourage speculation, and should be rejected.”

Other commenters supported Conestoga’s showing that changing the C Block debt obligations would undercut the value of the DEF Block licenses. For instance, Northcoast Communications pointed out at page 6 of their comments that “relaxation of installment payment obligations would have a negative impact on F block licensees while benefitting C block licensees, and consequently would violate the APA’s mandate that similarly situated parties be treated the same.” Northcoast focuses on the impact that will be felt by F Block licensees. However, by reducing the value of PCS spectrum in general, and by eroding the competitive advantage enjoyed by those entities that bid responsibly in the DEF Block auction, the proposed changes to the C Block rules would have the same negative impact on the valuation of D and E Block licenses.

In sum, responsible bidders in the C Block auction, as well as licensees in the D, E and F Blocks, should not be punished for the questionable bidding strategies and practices followed by a handful of C Block bidders. Therefore, the Commission should

hold C Block licensees to their original high bids, which were place voluntarily, and the payment terms which were known to these entities when they placed their bids.

Sincerely,

A handwritten signature in black ink, appearing to read "W.D. Chamblin, III". The signature is fluid and cursive, with a large, stylized initial "W" and a long, sweeping underline that extends to the right.

William D. Chamblin, III
President